WEALTH MARKETS AND COMMERCE

FINANCIAL MEETINGS.

CHICAGO, SAINT PAUL, MINNEAPOLIS AND OMAHA RAILWAY CO.
NOTICE OF ANNUAL MEETING.
The Annual Meeting of the Stockholders of the Chicago, Saint Paul, Minneapolis and Omaha Railway Company will be held at the office of the company, in the City of Hudson, Wisconsin, on Thursday, October 26, 1916, at twelve o'clock M., for the election of directors and the transaction of such other business as may come before the meeting.
Transfer books will be closed on Monday, September 18, 1916, at the close of business, and will be reopened on Saturday, October 28, 1916.
JAMES T. CLARK, President.
JOHN D. CALDWELL, Secretary.

Chicago and North Western Railway Co.
NOTICE OF ANNUAL MEETING.
The Annual Meeting of the Stockholders of the Chicago and North Western Railway Company will be held at the office of the company, 226 West Jackson Boulevard, in the City of Chicago, Illinois, on Thursday, October 19, 1916, at eleven o'clock A. M., for the election of directors and the transaction of such other business as may come before the meeting.
Transfer books will be closed on Monday, September 18, 1916, at the close of business, and will be reopened on Friday, October 20, 1916.
Dated, September 1, 1916.
RICHARD H. AISHTON, President.
JOHN D. CALDWELL, Secretary.

U. S. Treasury Finances

Washington, Oct. 14.—The condition of the United States Treasury at the close of business to-day was: Net balance in general fund, $169,979,367; total ordinary receipts, $2,339,111; total ordinary payments, $3,537,289. The deficit this fiscal year is $20,543,465, against a deficit of $43,314,378 last year, exclusive of Panama Canal and public debt transactions.

Finance - Economics

GARET GARRETT, Editor.

WALL STREET OFFICE: Mills Building, 15 Broad St. Telephone: Hanover 6514.

Saturday, October 14, 1916.

Germany's U-boat adventure off Nantucket was the occasion, or perhaps only the pretext, for a miniature panic on the Stock Exchange. We say in the vernacular of Wall Street: "People who had been buying stocks on margin for a rise suddenly sold them for what they would bring, and prices broke very badly." We add, somewhat cynically, that if it had not been the incident of the U-53 it would have been something else. What do we mean by that? We mean (to go on in the vernacular) that when the public is loaded up with stocks something always happens. And why does something always happen then? At this question the vernacular begins to fail. A Wall Street man does not know why something always happens when the public is full of stocks. He only knows that it does. He is superstitious by calling and he lives by experience. But are we not thinking of one thing and talking of another? Does the Wall Street man in this case talk of stocks at all? What is the procedure of buying stocks on margin for a rise? Do people buy stocks really, or do they buy only a position in the stock market? Let us follow it.

When you buy a stock on, say, a 10 per cent margin there is a three-cornered transaction. It involves you, your broker and the bank. Did you ever think about the other 90 per cent? Few ever do. To your 10 per cent the broker out of his capital adds 10 per cent, and then the stock is taken by him to the bank and hypothecated for the balance, which is 80 per cent. So, to buy a share of stock quoted at $100 you put up $10, your broker puts up $10 and the bank puts up $80. You are the "principal," the one for whose account the stock is bought, and you assume the risk. The bank is first protected. It holds the stock as collateral security for the loan, and if anything occurs to make it feel uneasy it will call upon the broker to pay off the loan. If he doesn't pay it it sells the collateral on the New York Stock Exchange, without ever having heard of you, the "principal." The broker is next protected. You have waived most of your rights to him beforehand. You have signed an agreement giving him power to do anything that is necessary with the stock. He may lend it to a speculator who wants to borrow it for purposes of a short sale, or he may hypothecate it at the bank on any terms he may please to make, without your knowledge or specific consent. This stock, bought for your account and risk, you never see. You never know where it is. The chances are that you would not know it if you saw it. Not 1 per cent of those who are written down as principals in the purchase and sale of stock in Wall Street ever see the engraved certificates. Indeed, in the customers' room of a Stock Exchange house an engraved certificate of so widely known a stock as United States Steel common might be passed from hand to hand as a curiosity among men who had been ostensibly buying and selling it for years. Had they been buying and selling the actual stock? In theory, yes; in fact, no. To buy or to sell it had been merely to take a position on its fluctuations. If you buy and the price rises, you sell and make a profit; if you buy and the price goes down, you make a loss. You are not interested in the stock itself; you do not regard yourself as a share proprietor in the business of the great United States Steel Corporation. You think of yourself as a speculator. You are probably a gambler, dealing excitedly in chances and hazards you know nothing about.

So, when a great many people have been gambling thus in quotations, betting for a rise, it is said in the vernacular that the public is loaded up with stocks. They are heavily committed to a rise in stocks, as we see, but to say that they are loaded up with stocks is to accept the theoretical definition of the thing. They haven't any stocks and do not intend to have any. They are not even conscious of an equity in the stocks. Speak to the average margin speculator about his equities and it takes an effort of mind for him to understand you. The idea is strange to him. He has a position in stocks. If they go up he will win; if they go down he will lose.

It is fairly obvious that when a very large majority of the stock market's patrons are in a position to win by a rise in quotations, for that reason alone it is extremely unlikely that quotations will rise. In a game of hazards the majority cannot win. When, therefore, the public, under pretence of buying stocks on margin, has bought a position to win by a rise in prices, it is almost certain to be disappointed. Its imagination will have been keen to discover all the possibilities in favor of its position, so that the factor of unexpectedness on that side is low; it will not have been keen to discover probabilities in prejudice of its position, so that the factor of unexpectedness on the other side is high. But though something extremely favorable should happen unexpectedly, prices still would not be likely to rise, because everybody is waiting to take profits. Their anxiety to win would prevent the rise. Anything untowardly happening has all the greater effect, because everybody is in danger of losing, and the fear of loss causes a tremendous commotion in self-preservation—otherwise a panic. Observe that what causes the panic is the fear of loss by a fall in quotations, and not a conclusion that the value of stocks will be adversely affected by the event. People who sold so heavily on Monday as to swamp the facilities of the Stock Exchange were thinking only of the effect of the U-boat's exploit upon sentiment, and not at all of its effect upon the value of, e. g., United States Steel common. If a man in the motions of selling that stock for what it would bring had been asked why he sold he would have been unable to give a rational answer. He was not selling the stock, you see. He was trying to get out of his position with as little loss as possible, and only in the vernacular could it be said that he was getting out of his stock. He never had any stock; he never intended to have any stock. He had only an interest in its fluctuations.

Baffled at the Source

The Monthly Review of the United States Bureau of Labor Statistics is the most carefully edited periodical in the country. For the proof turn to page 23 of the October number and find the article entitled "Eight Hour Law for Certain Railroad Employes." Consider first the exactness of the title. An editor more social than statistical minded might have written it "Eight Hour Day," etc., and he might easily have forgotten the importance of putting in the word *Certain* to limit the idea of the measure of human happiness obtained. The opening sentence impartially reads: "A statute that has attracted particular attention, both on account of its provisions and the circumstances under which it was enacted, entitled, 'An act to establish an eight hour day for employes of carriers engaged in interstate and foreign commerce, and for other purposes,' received Presidential approval on September 3, 1916." In the title of the act it is called an eight hour *day*, and it is for employes of carriers, and not for certain of them. Follows a digest of legislation, Federal and state, limiting the hours of the workday. The first eight hour legislation of Congress was enacted in 1868, relating to the employment of labor on public works, but it was held to be directory and not mandatory, and so it had very little practical effect. Subsequent legislation established the principle of a restricted eight hour day for employes on public works, overtime forbidden except in cases of emergency. Similarly restrictive and prohibitory was the sixteen-hour law for employes on railroads, with nine-hour and thirteen-hour limitations upon the continuous work of train dispatchers using the telephone and telegraph. The eight-hour laws enacted by various states for dangerous occupations have been likewise restrictive, overtime being forbidden. The present statute, however, differs from any previous legislation in the important respect, namely:

That it declares that "eight hours shall, in contracts for labor and services, be deemed a day's work and the measure or standard of a day's work for the purpose of reckoning the compensation" of certain employes in interstate commerce. Overtime work is not forbidden and may extend up to the limitations prescribed by the sixteen-hour law noted above, but work in excess of eight hours must be paid for at a rate not less than the pro rata rate for the standard eight-hour workday. A commission is appointed to observe the operation of the law, and must report not sooner than six months nor later than nine months from January 1, 1917; and pending the report of the commission and for thirty days thereafter no reduction may be made in the present standard day's wage.

We are indebted to this authority for so clear and unbiassed an analysis of the law. Certain employes of the railroads have got their wages raised by an eight-hour law under pretence of demanding an eight-hour day. They will get as much as before for a shorter theoretical day and extra pay for what remains of the working day in practice. Thus is society baffled again. It was supposed to have cast the whole weight of its moral sanction in favor of an eight-hour day.

Money and Credit

The actual condition of the New York Clearing House banks on Saturday was as follows:

Loans and discounts	$3,337,732,000
Reserve in own vaults	408,960,000
Reserve in Fed. Res. bank	171,012,000
Reserve elsewhere	52,957,000
Net demand deposits	3,271,097,000
Net time deposits	165,842,000
Circulation	31,484,000
Aggregate reserve	632,929,000
Excess reserve	68,914,410

The changes from the actual condition of the week before were:

Loans and discounts	Dec.	$17,164,000
Net demand deposits	Dec.	42,316,000
Net time deposits	Dec.	2,256,000
Circulation	Inc.	402,000
Reserve	Inc.	20,851,000
Excess reserve	Dec.	13,641,070

New York Federal Reserve.—The condition of the Federal Reserve Bank of New York at the close of business Friday, compared with the previous week, follows:

Resources.	Oct. 13.	Oct. 6.
Gold reserve	$170,604,120	$172,988,850
Leg. ten. money	7,147,766	8,925,410
Total reserve	$177,751,886	$181,914,260
Discounts	23,532,709	24,244,558
Investments	10,798,959	10,416,187
Fed. Res. notes (net)	8,745,000	7,967,775
All other res.	163,026	219,766
	$220,991,581	$224,762,547
Liabilities.		
Capital	$11,901,850	$11,901,850
Res. dep. (net)	200,883,832	194,769,938
Gov. deposits	3,203,300	2,944,627
Due to other Fed. Reserve banks (net)	5,002,598	15,146,132
	$220,991,581	$224,762,547
Fed. Res. notes outstanding	77,602,515	75,501,500
Against which there is dep. with Fed. Res. Agt: Gold and lawful money	77,602,515	75,601,500

Bank Exchanges.—The day's clearings at New York and other cities:

	Exchanges.	Balances.
New York	$786,398,506	$45,188,021
Boston	44,275,004	6,064,665
Baltimore	8,429,922	863,251
Philadelphia	65,391,429	6,926,179

Sub-Treasury.—New York banks lost to the Sub-Treasury $1,649,000.

Silver.—Bars in London, 32⅛ pence; here in New York, 68 cents; Mexican dollars, 52¼@55¼.

The Dollar in Foreign Exchange

It was another week of quiet in the foreign remittance markets. Rates on the principal financial centres showed little change one way or the other, although continued weakness of Russian rubles, which fell in the middle of the week to 31.40, attracted attention, especially so since it has become known that negotiations for another Russian government credit have failed. Swiss rates improved, and a firmer tone was noted in German marks. As for sterling bills, there was scarcely no fluctuation at all.

If you calculate the cost of the dollar in terms of foreign money—that is, as if you were buying dollars with pounds, marks or francs—its value at the close of last week as compared with a year ago would be about as follows:

Cost of one dollar.	Yesterday.	Year ago.
In English money	$1.02	$1.03
In French money	1.12	1.12
In Dutch money	.93	.99
In German money	1.33	1.16
In Swiss money	1.02	1.03
In Swedish money	.95	.99
In Russian money	1.56	1.57

The market at the end of the week was dull and changes yesterday were unimportant.

	Yesterday.	Week ago.
Sterling, demand	4.75⅝	4.75 11/16
Sterling, sixty days	4.71½	4.71¾
Sterling, cables	4.76 7/16	4.76 7/16
Sterling, ninety days	4.69¼	4.69½
Francs, demand	5.84½	5.84¼
Francs, cables	5.83½	5.83½
Guilders, checks	40⅞	40 13/16
Guilders, cables	41	40⅞
Reichsmarks, checks	70½	70¼
Reichsmarks, cables	70⅝	70⅜
Lire, checks	6.48	6.47¼
Lire, cables	6.47½	6.46½
Swiss, checks	5.28	5.31¼
Swiss, cables	5.27¼	5.30½
Austrian, kronen, ch'ks	11.93	11.98
Stockholm, kr., checks	28.45	28.40
Copenhagen, kr., checks	28.25	28.20
Pesetas, checks	20.13	20.12
Rubles, checks	31.50	31.75

Below is given the current exchange value of foreign money in dollars and cents, together with the intrinsic gold parity, as calculated by the United States Mint:

	Current exchange value.	Intrinsic value.
Pounds, sterling	$4.75⅝	$4.86⅝
Francs	0.17.1	0.19.3
Guilders	0.40⅞	0.40.2
Marks	0.17.6	0.23.8
Rubles	0.31.50	0.51.2
Lire	0.15.4	0.19.3
Crowns (Denmark)	0.28.25	0.26.8
Crowns (Sweden)	0.28.45	0.26.8

The above rates express the cost of foreign money in terms of the American dollar. You buy an English pound sterling for $4.75⅝; the intrinsic parity is $4.86⅝ per pound. Thus, you say either that pounds are at a discount or that dollars are at a premium, which is owing to the fact that in England the demand for dollars with which to settle accounts in this country is greater than the demand in this country for pounds with which to settle accounts in England.

Federal Reserve Banks

Washington, Oct. 14.—Aggregate increases of over $18,000,000 in member bank deposits, offset in part by net withdrawals of $9,250,000 of government deposits, also gains of $7,400,000 in the combined gold reserves and of $4,800,000 in the total cash reserves of the Federal Reserve banks, are indicated by the weekly statement issued to-day by the Federal Reserve Board.

In the case of Philadelphia a gain of $2,200,000 in total reserve is due chiefly to the gain in member bank deposits. Chicago and Dallas report increases of $1,400,000 and of $2,400,000 in their cash reserves, together with increases in total deposits and reductions in the amounts due from other Federal Reserve banks. Minneapolis shows a gain of $1,600,000 in its cash reserve, accompanied by a reduction of $2,100,000 in its favorable balance in account with other Federal Reserve banks and an increase of over $600,000 in earning assets. The San Francisco bank liquidated over $3,000,000 of its balances due from other Federal Reserve banks, of which it used about $1,000,000 in increasing its earning assets and over $1,500,000 to strengthen its cash reserve.

Large purchases of New York City notes during the last week are mainly responsible for the increase of $2,500,000 in the holdings of municipal warrants. Total earning assets are given as $184,100,000, or over 330 per cent of the banks' paid-in capital, compared with 274 per cent reported about six months before. Of the total earning assets 42.1 per cent is represented by acceptances, 23.2 per cent by United States bonds, 17.1 per cent by warrants, 12 per cent by discounts and 5.6 per cent by Treasury notes.

All the banks except New York show net withdrawals of government funds, while all the banks except Cleveland and Minneapolis report substantial increases in member bank deposits.

Federal Reserve agents report a total of $225,882,000 of reserve notes issued to the banks, or $5,392,000 in excess of the total shown the week before. Against the total issued they hold $210,088,000 of gold and $16,296,000 of paper. The banks show a total of $207,124,000 of Federal Reserve notes in actual circulation, while their aggregate net liabilities on notes issued to them by the agents are given as $12,316,000.

The Federal Reserve Board's statement of combined resources and liabilities of the twelve Federal Reserve banks at the close of business October 13 follows:

RESOURCES.	
In Money:	
Gold coin and certificates in vault	$267,400,000
Gold settlement fund	125,261,000
Gold redemption fund with U. S. Treasury	1,687,000
Total gold reserve	$394,348,000
Legal tender notes, silver, etc.	11,377,000
Total reserve	$405,725,000
Five per cent redemption fund against Fed. Res. Bank notes	$370,000
In Bills Discounted:	
Maturities—	
Within 10 days	$13,543,000
From 11 to 30 days	27,175,000
From 31 to 60 days	33,591,000
From 61 to 90 days	23,986,000
Over 90 days	1,191,000
Total	$99,486,000
Investments:	
United States bonds	$42,642,000
One-year United States Treasury notes	10,444,000
Municipal warrants	31,542,000
Total earning assets	$184,114,000
Federal Reserve notes—net	$15,280,000
Due from Federal Reserve banks—net	30,089,000
All other resources	2,675,000
Total resources	$638,252,000
LIABILITIES	
Capital paid in	$55,682,000
Government deposits	24,715,000
Member bank deposits, net	544,043,000
Federal Reserve notes, net	12,316,000
Federal Reserve banknotes in circulation	1,033,000
All other liabilities	464,000
Total liabilities	638,253,000

Gold reserve against net deposit and note liabilities, 71.6 per cent.

Cash reserve against net deposits and note liabilities, 73.6 per cent.

Cash reserve against net deposit liabilities after setting aside 40 per cent gold reserve against aggregate net liabilities on Federal Reserve notes in circulation, 74.4 per cent.

In the above statement the principal items compare with a year ago as follows:

Total gold reserve	Inc.	$107,430,000
Bills discounted	Inc.	55,527,000
Member bank deposits	Inc.	216,277,000
Federal Reserve Notes in circulation	Dec.	2,475,000

Cotton Industry in Argentine.

Lack of labor during the picking season is the only obstacle to the Argentine becoming a great cotton-growing country. Soil and climate of a large area are eminently suitable for its cultivation, and about 6,000 acres are at present planted in the fibre. A government experiment station has been established in the Chaco territory to foster this new industry. There is as yet but one cotton spinning and five cotton weaving mills in the republic. These operate a total of 9,000 spindles and 1,200 looms. The knitting industry, however, has been established and is said to be making more rapid progress.

HOW MR. SABIN GAVE OUT HIS PEACE MESSAGE

Reporters Eager to Tell World of Good News Found Knob Off Door

What prompted Charles H. Sabin, president of the Guaranty Trust Company, to call the financial reporters of New York newspapers to his office on Friday, October 6, for the purpose of conveying to them the startling information that Germany was actively seeking peace through President Wilson remains a mystery to Wall Street after a week of conjecture. Mr. Sabin's most intimate friends have been unable to account for his now famous peace interview.

In view of the futility of discussing the motive, something more may be said of the manner in which Mr. Sabin imparted his information. About noon of the day mentioned his secretary telephoned the newspapers that the banker wished to see their financial representatives at 1 o'clock. This procedure in itself was enough to excite more than usual curiosity, as it was a radical departure from Mr. Sabin's usual custom of meeting the reporters informally each day as they happened to catch him free from business duties.

When the reporters arrived at the Guaranty Trust Company they noticed that Mr. Sabin was earnestly engaged in conversation with James H. Perkins, a vice-president of the National City Bank. Mr. Perkins said later that he had no previous knowledge of what Mr. Sabin was about to say.

Secret Stuff

Immediately after the departure of Mr. Perkins from Mr. Sabin's presence the latter beckoned to the newspaper men to follow him into his private office. This procedure in itself was enough to impress the group that the banker considered his message of extraordinary importance.

Mr. Sabin lost no time in coming to his story. "Boys," he said, "I don't want you to use my name as telling you this, but I know that Germany has asked President Wilson to try to bring about peace. I'm sorry I can't disclose the source of my information, but you can rest assured that it is reliable. That is all I have to say."

"In view of the international importance of your statement," inquired one of the reporters, "what effect do you think it will have on the stock market, or, I might better say, what effect do you think that an unexpected peace would have on the market?"

"That is a question that no one can answer," replied the banker. "It would be reasonable to suppose, however, that prices might sell off temporarily at least, but beyond that no one can say."

Mr. Sabin was not publicly identified as the banker who made the above statement until the day after. C. W. Barron, in the Boston News Bureau, which publication was not represented at the interview, named the trust company president as the source of the statement.

Knob Off the Door

With the conference at an end there were hurried efforts on the part of some of the reporters to leave. But when they tried to open the door leading into the trust company's main banking rooms they were unable to do so, as the door was without a knob. It was several minutes before the attention of Mr. Sabin's secretary was called to the predicament of the men who were in possession of this important disturbing market information. When the door was finally opened the reporters dispersed with undignified haste.

Mr. Sabin has steadfastly refused to elaborate on his peace statement. Despite the criticism heaped upon him from all sources he has not retracted one word of it. He still believes his information to be correct.

Wall Street, in the absence of any explanation by the banker, is still seeking the motive for his statement and whence it came. The fact that Mr. Sabin was seen entering the offices of J. P. Morgan & Co. a few minutes prior to his talk with the newspaper men has been considered significant. That the Guaranty Trust Company is the New York correspondent of the Deutche Bank of Berlin has also been viewed as a possible important element in current discussions.

Correcting Exorbitant Charges.

The city of Manchester, in England, and the citizens of Lancashire have spent about $100,000,000 to make an inland city, thirty-eight miles from Liverpool, into a seaport, by digging the Manchester Canal. More millions have been invested by private individuals to establish a manufacturing town on farm lands on the canal bank. The town of Preston, thirty-one miles from Manchester, dredged what in this country would be caller a creek—the River Ribble—and built a forty acre dock at a cost of about $10,000,000. The determination to correct what were regarded as exorbitant railroad charges and excessive Liverpool dock dues is said to have been the motive behind these developments.

September dividend payments by forty United States mining companies making public reports amounted to $26,799,712, as compared with $10,708,720 in the corresponding month last year.

FUTURE CAUSES BRITISH LABOR MUCH ANXIETY

Restoration of Union Rights and Privileges After War Demanded

In all the belligerent countries radical changes in the labor structure of peace times have been necessitated by the demands of the military organization. In England labor has been compelled to relinquish rights won only after long years of struggle, but in return has been receiving the highest wages in history. Women there, as in the other warring nations, have taken the place of men who have gone to the front, and as a result the definition of men's work has been practically obliterated. English labor leaders are asking themselves how a man's work can be defined when women have proved themselves capable of doing that work. This is only one of the innumerable problems that must be met when peace returns.

Woman's Questions Embarrass.

Recently the English trade unions held a congress, at which representatives of organized labor demanded by resolution a complete restoration after the war of trade union customs and practices which had been suspended during the period of the conflict. Most of the members were unanimous in their approval of this, but there were some who dissented for the reason that they thought a return to the status quo ante an utter impossibility because of sound economic reasons. The representative of the women's federation, for example, asked some embarrassing questions, and according to a record of the proceedings wanted to know just what was men's work. When no one ventured an answer she stated that with her fellow delegates she represented thousands of women who had taken men's places, and that she thought it would not be denied organized women workers had done their best to help the men to maintain the standards they had won in days gone by. The women, the speaker declared, did not believe in any sex war in industry. They realized only too well that behind the men were the wives and children, and that the struggle was not between men and women, but between both of them on one side and the employing classes on the other. The problem raised by the resolution, she said, was not so simple as it looked, and the resolution did not really meet the case.

Brass Worker Talks

The men's side of the question was interestingly set forth by a brass worker. They had surrendered rights and privileges, he said, and in many cases they had not yet been treated as they deserved. There had been conversations and conferences. The congress had always pronounced against compulsory arbitration, but they seemed to have it now with a vengeance. They knew that in the hour of national peril they should not "down tools." They knew that their fathers, brothers and sons wanted all their help and they were ready to surrender everything they could. But there was a suspicion that they might not be treated after the war in the same generous spirit in which organized labor treated the government when appealed to. The speaker stated that:

> If it was true, as the chairman had said, that millions of men would want employment at the end of the war, some manufacturers and capital generally would think their turn had come. Labor must be prepared by extra organization, especially since they had admitted women into trades which were almost close corporations and had let skilled mechanics teach the semi-skilled to become efficient. They had done all they could, and they expected the government to see that they were not betrayed.

Asiatic Labor Troubles

There are other things troubling the English labor men besides the future. One of their chief causes of complaint, as brought before the congress, is the competition of Chinese labor. They view with alarm the increased employment of Chinese and cheap Asiatic labor on British ships during the progress of the present war and have protested to the government against engaging Chinese on British Admiralty chartered ships. Moreover, they have requested the government to take steps for the repatriation of all Chinese who cannot produce satisfactory evidence proving their British nationality, and ask that in the future no Chinese be signed on British ships east of Suez. More than 15,000 Chinese are said to be engaged on British ships sailing from English ports.

BIG STEEL PLANT SOLD TO NEW YORK BANKERS

Hornblower & Weeks Buy the United Steel Company

Canton, Ohio, Oct. 14.—The United Steel Company here was sold to Hornblower & Weeks, New York bankers, today for $16,000,000. The buyers will spend $4,000,000 on improvements. The change, which was approved at a stockholders' meeting here to-day, will take effect at once, but there will be no immediate change in management. It is the first instance of Eastern interests buying into the steel industry in this section.

Lumber, woodpulp and their manufactures make up nearly half the total exports of Sweden. The state-owned forests show a net profit of approximately $3,000,000.

FRENCH HIT BY LOANS TO BRAZIL

Securities Once Attractive Lose Glamour Through Defaults

Washington, October 13.

The present war has brought attention through the misadventures of France to the fact that extraordinary discretion is necessary for commercial success in countries financially aided and exploited.

South America! This is the field which every expansionist has urged for "dollar diplomacy." France once thought the same, but her views now are of a more sombre hue. The reason for this is Brazil. France has prospered in many of her financial adventures in South America, but her experiences in Brazil have taught her the folly of investing heavily in a two-crop country.

The Rothschilds have for many years been interested in Brazilian securities, and through their influence Brazil has been able to float numerous loans in Paris in the last few years on very attractive terms. The French capital was well acquainted with the South American millionaire, and preferred him to the American one, in fact. The glamour of investments in that continent appealed to the Gallic mind. The French investor prior to the war made South American securities, as a whole and Brazilian especially his hobby, and readily absorbed not only the Federal government bonds of Brazil, but those of the various Brazilian states as well.

War Causes Many Defaults

Rubber and coffee are the two principal crops of Brazil. The crash in the rubber boom, followed by financial crisis due to overexpansion, caused the affairs of Brazil to fall into a chaotic state. Then came the outbreak of the war, which forced the republic and the states to default on a great majority of outstanding obligations. Most of the coupons have been funded, and France awaits with interest any indication of the ability of the states to meet future obligations.

For France to loan any considerable sum to Brazil at any early date is doubtful, even if she should be left in a position to loan money after the completion of the war. Her experiences in Brazil have served as a warning to American investors. They have shown a desire to investigate this territory pretty thoroughly before they hand over any funds to that nation. Brazil's credit has now dropped to a lower level than that of Venezuela or Colombia, which countries have at least met their interest requirements regularly. Brazil now ranks with Ecuador, Paraguay and Peru, the credit tailenders among the South American republics.

The various securities of the Brazilian government and states largely held by France have been:

Title.	Last coupon paid.	Orig. off. price.	Pres't price.
Brazil 4½%, 1888	June, 1914	99½	84%
Brazil 5%, 1903	June, 1914	500 fr	340 fr
Amazonas 5%, '06	May, 1914	435 fr	258 fr
Bahia 5%, 1888	July, 1914	502 fr	290 fr
Maranhao 5%	July, 1914	495 fr	280 fr
Minas G 5%, '04	Mar., 1915	490 fr	425 fr
do 4½%, 1910	July, 1915	441 fr	300 fr
Para 5%, 1901	Jan., 1915	488 fr	281 fr
Parana 5%, 1905	July, 1915	490 fr	250 fr
Pernambuco 5%, '09	Pays int.	490 fr	391 fr
Rio Gr. do Sul 5%	Pays int.	490 fr	370 fr
State Sao Paulo 5%	Pays int.	501 fr	417 fr

Forty per cent of the outstanding Brazilian national bonds are held in France, the balance being distributed among the investors of Portugal, Holland, Great Britain and Belgium. France also holds about 70 per cent of the outstanding external obligations of the various Brazilian states. The total amount of French money in Brazilian securities is estimated at about 3,175,000,000 francs, or an excess of $600,000,000. No official figures have been issued for many years, but this estimate is derived from the work of independent investigators in a position to ascertain the facts.

These investments would be classified as follows: Government loans, $200,000,000; state loans, $130,000,000; credit companies and mortgage banks, $40,000,000; railroad securities, $135,000,000; port works, public utilities, industrials, etc., $100,000,000. If the securities of Brazilian enterprises not traded in on the Bourse and minor French investments in Brazil were added to the above the total would probably exceed $800,000,000.

Government securities alone have not been the only form of investment which has involved heavy losses for the French money lender. He also has dropped large sums in the Brazilian railroads and industrials. The disastrous Brazil Railway venture meant a large loss to the French investor—probably 40 per cent of the amount originally invested. One-third of the total of French investments in Brazil is a conservative estimate of the amount of their shrinkage in value.